

HAMILTON TOWNSHIP

Report on Audit of Financial Statements  
For the Year Ended  
June 30, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Hamilton Township</b>	County <b>Van Buren</b>
Audit Date <b>6-30-05</b>	Opinion Date <b>12-09-05</b>	Date Accountant Report Submitted to State: <b>1-3-06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

RECEIVED  
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Cutting &amp; Cutting, P.C.</b>			
Street Address <b>303 Paw Paw Street</b>		City <b>Paw Paw</b>	State <b>MI</b>
Accountant Signature <i>William A. Cutting</i>		ZIP <b>49079</b>	Date <b>1-3-06</b>

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WILLIAM A. CUTTING  
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TELEPHONE  
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December 9, 2005

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Hamilton Township  
Decatur, Michigan

We have audited the accompanying general purpose financial statements of Hamilton Township as of June 30, 2005, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Hamilton Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hamilton Township as of June 30, 2005, or the changes in its financial position for the year then ended.

*Cutting & Cutting, P.C.*

COMBINED BALANCE SHEET-ALL FUND TYPES  
HAMILTON TOWNSHIP  
June 30, 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Trust &amp; Agency</u>	Total (Memorandum Only)
<b>Assets</b>				
Cash	\$ 226,766	\$ 13,100	\$ 1,627	\$ 241,493
Due from State of Michigan	44,112			44,112
Other receivables	<u>315</u>	<u>          </u>	<u>          </u>	<u>315</u>
	\$ <u>271,193</u>	\$ <u>13,100</u>	\$ <u>1,627</u>	\$ <u>285,920</u>
 <b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 3,832			\$ 3,832
Undistributed receipts			\$ 1,218	1,218
Undistributed taxes	<u>          </u>		<u>409</u>	<u>409</u>
Total liabilities	3,832		1,627	5,459
Fund balance	<u>267,361</u>	\$ <u>13,100</u>	<u>          </u>	<u>280,461</u>
	\$ <u>271,193</u>	\$ <u>13,100</u>	\$ <u>1,627</u>	\$ <u>285,920</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES  
HAMILTON TOWNSHIP  
June 30, 2005

	<u>General</u>	<u>Special Revenue</u>	Total (Memorandum Only)
Revenues			
Taxes	\$ 46,312	\$ 92,569	\$ 138,881
Licenses and permits	1,120		1,120
State grants	134,906	164	135,070
Charges for services	4,399		4,399
Interest	1,562		1,562
Other	<u>2,568</u>	<u>3,745</u>	<u>6,313</u>
	190,867	96,478	287,345
Expenditures			
General government	88,027		88,027
Public safety	6,817	92,733	99,550
Public works	40,169		40,169
Health and welfare	1,799		1,799
Community and economic development	6,126		6,126
Other	<u>1,176</u>	<u>1,176</u>	<u>1,176</u>
	<u>142,938</u>	<u>93,909</u>	<u>236,847</u>
Excess of revenues over expenditures	47,929	2,569	50,498
Beginning fund balance	<u>219,432</u>	<u>10,531</u>	<u>229,963</u>
Ending fund balance	\$ <u>267,361</u>	\$ <u>13,100</u>	\$ <u>280,461</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUNDS  
HAMILTON TOWNSHIP  
Year ended June 30, 2005

	<u>General Fund</u>		<u>Variance Favorable (Unfavorable)</u>	<u>Special Revenue Funds</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Actual</u>	<u>Amended Budget</u>		<u>Budget</u>	<u>Actual</u>	
Revenues						
Taxes	\$ 43,000	\$ 46,312	\$ 3,312	\$ 83,000	\$ 92,569	\$ 9,569
State grants	140,000	134,906	(5,094)		164	164
Charges for services	2,800	4,399	1,599			
Other	<u>3,500</u>	<u>5,250</u>	<u>1,750</u>	<u>1,100</u>	<u>3,745</u>	<u>2,645</u>
	189,300	190,867	1,567	84,100	96,478	12,378
Expenditures						
General government	98,650	88,027	10,623			
Public safety	10,000	6,817	3,183			
Public works	65,500	40,169	25,331	83,000	92,733	(9,733)
Health and welfare	3,500	1,799	1,701			
Community and economic development	7,650	6,126	1,524			
Other	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>1,100</u>	<u>1,176</u>	<u>(76)</u>
	189,300	142,938	46,362	84,100	93,909	(9,809)
Excess of revenues over expenditures	<u>\$ - 0 -</u>	47,929	\$ 47,929	<u>\$ - 0 -</u>	2,569	\$ 2,569
Beginning fund balance		219,432			<u>10,531</u>	
Ending fund balance		<u>\$ 267,361</u>				

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
HAMILTON TOWNSHIP  
June 30, 2005

1. Summary of Significant Accounting Policies

A. Reporting Entity

In accordance with generally accepted accounting principles and Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely presented component unit in the Township's financial statements.

B. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.



D. Budgets and Budgetary Accounting

The Township prepares a budget and a budget hearing is held. The budget is adopted at the June meeting for the next fiscal year. The budget is amended from time to time when necessary by the Township Board.

The Township exceeded the appropriated amount as shown on the budget comparison statement on page 4.

E. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

2. Property Tax

The Township taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

The 2004 taxable valuation of the Township totaled \$38,781,575 on which ad valorem taxes levied consisted of .801 mill for the Township's operating purposes, 2 mills for fire protection, and .5 mill for quick response.

In the summer, the Township also collects the State Education Tax.

3. Risk Management

Hamilton Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical benefits provided to employees. The Township insures with Michigan Township Participating Plan.

4. Cash

The Township maintains cash accounts for each fund. At June 30, 2005, the Township had deposits with a carrying amount of \$241,493 and a bank balance of \$250,687. The bank balance has \$150,000 covered by federal depository insurance and \$100,687 is uninsured.

The Township's deposits are in accordance with statutory authority.

5. Joint Ventures - Fire Protection and Emergency Quick Response

The Township is a member of the Decatur-Hamilton Fire District and the Decatur-Hamilton Emergency Quick Response District. The participants of the Districts include the unincorporated portions of the Townships of Decatur and Hamilton and the entire incorporated portion of the Village of Decatur. The Districts provide fire protection and ambulance/rescue services to the residents of its respective municipalities. Operating charges are assessed to the participants in a ratio proportionate to their state equalized values of real property. The Township appoints two members to each joint venture's governing board, which then approves the annual budget. Each governmental entity is also presented the annual budget and approves it. Membership does not convey an equity interest in the Districts. Amounts remitted to the Decatur-Hamilton Fire District and the Decatur-Hamilton Emergency Quick Response District in 2005 were \$74,057 and \$18,512, respectively.

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
HAMILTON TOWNSHIP  
Year ended June 30, 2005

	Grange Hall	Liquor Law	Fire Operation	Fire Equipment and Quick Response	Total (Memorandum Only)
Revenues					
Taxes					
State grants			\$ 55,545	\$ 37,024	\$ 92,569
Other	\$ <u>3,745</u>	\$ 164			164
	3,745	164	55,545	37,024	<u>3,745</u>
					96,478
Expenditures					
Public safety		164	55,545	37,024	92,733
Other	<u>1,176</u>				
	<u>1,176</u>	<u>164</u>	<u>55,545</u>	<u>37,024</u>	<u>1,176</u>
Excess of revenues over expenditures	2,569				<u>93,909</u>
Beginning fund balance	<u>10,531</u>				2,569
Ending fund balance	\$ <u>13,100</u>	\$ <u>- 0 -</u>	\$ <u>- 0 -</u>	\$ <u>- 0 -</u>	<u>10,531</u>
					\$ <u>13,100</u>

See notes to financial statements.

COMBINING BALANCE SHEET-AGENCY FUNDS  
HAMILTON TOWNSHIP  
June 30, 2005

	<u>Trust &amp; Agency</u>	<u>Current Tax</u>	<u>Total</u>
Assets			
Cash	\$ <u>895</u>	\$ <u>732</u>	\$ <u>1,627</u>
Liabilities			
Undistributed receipts	\$ 895	\$ 323	\$ 1,218
Undistributed taxes	<u>          </u>	<u>409</u>	<u>409</u>
	\$ <u>895</u>	\$ <u>732</u>	\$ <u>1,627</u>

STATEMENT OF REVENUES  
GENERAL FUND  
HAMILTON TOWNSHIP  
Year ended June 30, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Property taxes and administrative fees	\$ 43,000	\$ 46,312	\$ 3,312
Licenses and permits	1,000	1,120	120
State shared revenues	140,000	134,906	(5,094)
Charges for services			
Cable franchise fees	800	674	(126)
Cemetery	<u>2,000</u>	<u>3,725</u>	<u>1,725</u>
	2,800	4,399	1,599
Interest	2,000	1,562	(438)
Other	<u>500</u>	<u>2,568</u>	<u>2,068</u>
	\$ <u>189,300</u>	\$ <u>190,867</u>	\$ <u>1,567</u>

STATEMENT OF EXPENDITURES  
GENERAL FUND  
HAMILTON TOWNSHIP  
Year ended June 30, 2005

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government			
Township Board	\$ 22,700	\$ 19,532	\$ 3,168
Supervisor	9,600	8,803	797
Clerk	9,000	8,387	613
Board of Review	1,000	635	365
Treasurer	14,000	13,105	895
Assessor	9,650	9,268	382
Elections	4,400	4,264	136
Township Hall	10,300	6,668	3,632
Cemeteries	<u>18,000</u>	<u>17,365</u>	<u>635</u>
	98,650	88,027	10,623
Police	10,000	6,817	3,183
Drains	2,000	1,559	441
Roads	63,500	38,610	24,890
Sanitation	3,500	1,799	1,701
Planning	4,200	2,626	1,574
Zoning	3,450	3,500	(50)
Capital Expenditures	<u>4,000</u>	<u>          </u>	<u>4,000</u>
	\$ <u>189,300</u>	\$ <u>142,938</u>	\$ <u>46,362</u>

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BRUCE T. CUTTING

TELEPHONE  
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December 9, 2005

Members of the Township Board  
Hamilton Township  
Decatur, Michigan

The audit work necessary to express an opinion on the financial statements of Hamilton Township included a review of the Township's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Chart of Accounts

The activity numbers being used are not in conformity with the State of Michigan Chart of Accounts.

General Accounting Records and Procedures

All checks, except the Current Tax Fund, require two signatures. One must be the Clerk (or deputy) and the other must be the Treasurer (or deputy).

The paper cash receipts being used do not conform to the requirements of the State of Michigan.

The Grange Hall, Trust and Agency and Current Tax Fund did not have appropriate receipt or cash disbursement journals.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

The above comments are submitted to you to develop good accounting procedures and are not intended to reflect upon the performance of any individual.

*Cutting & Cutting, P.C.*